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FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

Agency support costs

Report of the Administrator

SUMMARY

Governing Council decision 88/50 of 1 July 1988 gave rise to the convening of a group of international experts to undertake a study of the issues related to successor arrangements to be applicable to project support costs.

The report of the Expert Group is before this session of the Governing Council and this report contains the Administrator's suggestions for further action by the Council.

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1. The General Assembly, in section V, paragraph 34, of resolution 42/196 of 11 December 1987, invited the Governing Council of the United Nations Development Programme (UNDP) to consider the introduction of successor arrangements to those provided for in Governing Council decision 80/44 of 27 June 1980 for project support costs. The new arrangements are to become effective as from 1992.

2. Pursuant to General Assembly resolution 42/196, the Governing Council, in its decision 88/50 of 1 July 1988, considered that the question of successor arrangements should be looked at in the wider context of the evolving relationship of UNDP, governments and executing agencies of the United Nations system.

3. Towards this end, the Council decided to establish a small group of experts in the field of international development to make a thorough study of all the relevant issues and to make available its recommendations no later than 28 February 1990.

4. The Administrator engaged in informal consultations with Council members in mid-February 1989 regarding prospective participants in the expert group and formally put forward a panel to the Council at its special session held 21-24 February 1989, together with the proposed terms of reference, scope, organization and timetable of the study contained in document DP/1989/6. The Council was also provided with the views of the agencies on the terms of reference as expressed by the task force of the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ (OPS)) in document DP/1989/6/Add.1.

5. The Governing Council, in its decision 89/10 of 23 February 1989, took note of the composition of the expert group as proposed by the Administrator, approved the terms of reference for the expert group as contained in document DP/1989/6 and endorsed the inclusion in the expert group of the four individuals named by the Associate Administrator.

6. Subsequent developments made it impossible for one of the members to serve with the expert group, and, with the approval of the President of the Governing Council, an alternative member was appointed.

7. The expert group began its review on 1 April 1989 and the Council now has its report in document DP/1990/9.

8. The Administrator wishes to draw the attention of the Council to document DP/1988/63 of 18 March 1988, which provided a historical brief on the support cost question to the Council at its thirty-fifth session (1988). Particular reference is made to paragraphs 21 and 22 of that document which, for ease of reference, are reproduced below:

> "21. Bearing in mind, however, the historical background and the very complex nature and political implications of the issues involved, the Administrator suggests to the Council that it consider once more the possibility of establishing an intergovernmental working group to deal with the matter adequately.

READEX FICHE

22. As to the timing of a review by such a working group, it is important that its findings are available by, or preferably before, June 1990, since the framework for the fifth programming cycle is scheduled to be finalized by that same date. It may therefore be necessary to convene inter-sessional meetings of the group, as appropriate."

9. The Administrator is of the opinion that the recommendations made at that time continue to be valid and urges the Council to proceed with the establishment of its working group, which would be expected to report to the Governing Council at its thirty-seventh session (1990).

10. Such a working group would permit a comprehensive review of the recommendations of the Expert Group, including their political and practical acceptability. If the working group feels it necessary, it could also call upon interested parties to provide additional inputs.

11. As support costs financing has up to the present been a shared arrangement, involving voluntary contributions to UNDP and the regular budgets of the executing agencies, the working group may wish to consider the question of the need for and the timing of consultations with the governing bodies of the agencies. In this regard, the attention of the Council is drawn to the Administrative Committee on Co-ordination decision 1989/29, the text of which has been submitted to the Council in a separate paper.

12. As now envisaged by the Administrator, the comments of UNDP and the executing agencies on the recommendation(s) of the Expert Group would be available to the Governing Council at its thirty-seventh session (1990).

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MID-TERM REVIEWS OF COUNTRY AND REGIONAL PROGRAMMES

Reports on mid-term reviews: an overview

Report of the Administrator

SUMMARY

The present report is submitted in accordance with Governing Council decision 89/11 of 23 February 1989, requesting the Administrator to report on the mid-term reviews of country programmes.

INTRODUCTION

1. The Governing Council, in its decision 89/11 of 24 February 1989, requested the Administrator to report on the mid-term reviews of country and intercountry programmes carried out during the fourth programming cycle. This report covers reviews carried out in the first half of 1989.

2. The mid-term review process is producing benefits both for the programme concerned and for the organization as a whole. While there is unevenness between individual reviews and their reports and in the depth of analysis, the process is also benefiting both programme development and management.

3. The structure of this report follows the requirements laid out in document DP/1989/19/Add.3. A general survey of the reviews completed has been provided as well as more detailed information regarding both intercountry and country programme reviews.

4. Specific issues which the Council requested the Administrator to address include:

(a) The extent to which country programmes are actually being used as a programming tool for non-United Nations Development Programme (UNDP) technical co-operation;

(b) The major obstacles hindering the use of programmes as frameworks for the identification of projects not included in the country programme;

(c) The linkages between country programmes and public investment programmes, policy framework papers, major macro-economic management processes and national technical co-operation assessments and programmes (NaTCAPs);

(d) Lessons learned in the identification of programmes and projects and the problems identified in their implementation;

(e) The validity and workability of the programme approach.

In addition, the Council requested summary financial data on indicative planning figure (IPF) commitments and expenditures. Country programmes for which evaluations were planned were also to be identified.

5. For the current session, in addition to this overview, mid-term reviews have been prepared for the country programmes of Madagascar, Zambia, Bangladesh, Bhutan, Brazil, Algeria, and for the European regional programme.

I. A SURVEY OF THE PROGRAMMES REVIEWED

6. This paper covers both mandatory reviews (for programmes greater than $10 million) and non-mandatory reviews. During the period 1 January to 30 June 1989, a total of 35 reviews were completed (see table). It had been foreseen that 33 mandatory reviews would be carried out during this period; in fact, 22 were completed. Six of the remaining reviews have now been finished; the rest will be carried out in early 1990. The programmes reviewed represent a total value of $574 million or 16 per cent of the fourth programming cycle resources. The Administrator has noted the need to strengthen the planning and management of the reviews, paying due heed to the circumstances of the countries concerned.

Mid-term reviews conducted during 1 January to 30 June 1989

Africa	Asia and the Pacific	Arab States and Europe	Latin America and the Caribbean
Burundi	Bangladesh	Algeria	Argentina
Cameroon	Bhutan	Bulgaria	Barbados
Chad	Cook Islands	European region	Brazil
Gabon	Democratic People's Republic of Korea	Hungary	Chile a/
Madagascar	India a/	Malta	Peru a/
Malawi	Intercountry programme a/	Democratic Yemen	Saint Lucia
Mauritius	Mongolia	Saudi Arabia a/	
Mozambique	Niue		
Rwanda	Republic of Korea		
Zambia	Tokelau		
	Tonga		
	Western Samoa		

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a/ The mid-term review reports for Chile, India, Peru, Saudi Arabia and the intercountry programme for the Asia and Pacific region have already been made available to the Governing Council at its thirty-sixth session (1989).

7. The reviews indicate that both the Governments concerned and UNDP consider that the programmes in question are on track and do not require a major redirection of a magnitude which would require resubmission of the programme to the Council. They confirm the validity of the original concepts underlying each of the programmes.

8. An analysis of the impact of the mid-term reviews indicates that a number of programmes were modified either before the mid-term review or as part of it. In general, these modifications involved limited adjustments to projects or in the allocation of resources between different objectives or themes of the programme. Some changes were the result of efforts by the Governments and UNDP to respond to the actual pattern of programme delivery as it had evolved over two years. In the normal course of events, some projects, because of their nature, become operational quicker than others. Likewise, certain other needs, not foreseen or fully identified at the time of the formulation of the country programme, may emerge. These changes reflect the essentially dynamic character of the development process itself, which requires constant adaptation to the evolving economic and social circumstances of each country, and indeed, to some extent, of regional and/or global events. In all of the cases reviewed, some adjustment in the programmes came about through an increase of IPF resources for programming.

9. Madagascar and Chile represent two interesting examples of such mid-course adaptations. In the case of Madagascar, the review served to strengthen the coherence and focus of the programmes while retaining the three original programme objectives of social adjustment, agricultural production and economic management. The experience in Madagascar, which was not unique to that country, suggests that the review can be used to good managerial effect by taking account of the experience of the initial years of the programme to make practical adjustments to solve emerging problems. In the case of Chile, one of the two main programme objectives, namely the decentralization of economic activity away from the country's capital, became a selection criterion for projects under the other main objective of the country programme, which was the promotion of science and technology by collaboration between the private sector and the university community. The review served in this way to refine and further focus this thrust of the country programme.

10. Despite the essentially project-oriented nature of most UNDP country programmes, there is a trend in many of them towards increased concentration on fewer programme objectives and on larger projects, in an effort to enhance programme impact.

11. In terms of sectoral trends, as indicated to the Council at its thirty-sixth session (1989), there has been a discernible increase in the attention given to strengthening core economic institutions. The latter is particularly the case in Argentina, Bangladesh, China, and Madagascar. There is also a tendency for some Governments to increase the focus of their programmes on the achievement of export, production and employment objectives. India, Indonesia, and China provide specific examples.

12. The reviews reflect the close attention that is being given both by Governments and UNDP field offices to financial management of the programme and to project-level monitoring. They also demonstrate that a number of central aid co-ordinating authorities have taken the opportunity provided by the review to discuss and to reconfirm with their sectoral ministries the allocation of available IPF resources. It is evident that considerable effort has been put forth both by Governments and by the UNDP offices concerned to meet the requirement of the exercise. However, the value of many of the reviews would have been enhanced by a greater degree of qualitative analysis and judgement about programme level achievements and their contribution to the country's goals. The Administrator is aware that the project-driven nature of many programmes means that few have programme goals that are stated in sufficiently specific terms to facilitate programme monitoring. There is, therefore, a need to deal both with programme design and its subsequent monitoring during implementation.

Regional programme reviews

13. The mid-term review of the regional programme for Europe is being presented to the Council at the current session. This programme has some $11 million of resources directed to five priority areas: energy; environment; transport/communication; science and technology; and management.

14. The mid-term review reaffirmed these priorities while supporting the emphasis of the programme on strengthening management capacities within those countries currently restructuring their economies. Some participants in the review saw the programme as an important means for promoting co-operation between Eastern and Western Europe. The review also endorsed the networking arrangements that had been established between different institutions in the region as a cost-effective way of managing regional projects.

II. PROGRAMME ISSUES

A. The use of the country programme as a programming tool for non-UNDP technical co-operation

15. As indicated below, the country programmes under review are neither based on, nor do they provide, the kind of overall assessment of technical co-operation needs required if other donors are to make extensive use of the country programming process as a frame of reference for non-UNDP technical co-operation. The data from this set of reviews support this. Some reviews have indicated that this was a result of a government policy not to accord such a role to the country programming process.

16. An assessment of the use of the country programming process requires that consideration be given to a number of additional factors. One basic point that emerges from UNDP experience is that the identification of technical co-operation requirements is a task best carried out by Governments. To the extent that a country programme is based on such a process and is up to date, it can be used as a programming tool for non-UNDP co-operation. However, posing the programming issue

in this way presupposes the concept of the country programme as a highly structured and rigid plan of action, which is not necessarily correct. Technical co-operation must evolve and so should country programmes, hence the need for periodic review mechanisms.

17. In assessing the effect of the country programme process on non-UNDP co-operation, an important consideration is whether the ongoing dialogue between UNDP and the Government influences, even if it does not determine, the direction and content of non-UNDP co-operation. Bangladesh provides an interesting example of how UNDP has played a leading role in programming in other co-operation through activities carried out within the framework of the country programme. An assessment of past technical co-operation performance is under way with UNDP assistance. This has potential implications not only for the next country programme, but also for other donors. An agricultural review has already been carried out, and is being currently used by the Government and other donors in making their own plans. Similarly, UNDP has been able to take a leading role in the major flood policy study in Bangladesh, which has become the basis for active exchange of information between UNDP and other donors on this central concern of the Government.

18. By contrast, in other cases, it would be unrealistic and inappropriate to expect the country programming process to be used as a frame of reference for non-UNDP co-operation. In countries with IPFs that are small in relation to the resources available, the Government may take a careful and conscious decision to concentrate UNDP resources in one or two areas. The role UNDP plays in developing a dialogue in the major sectors, and the extent to which the programme provides a comprehensive picture of technical co-operation needs, are both determined in accordance with the Government's priorities and requirements. In Chile, for example, the country programme is successfully focused on one objective as described above, namely scientific and technological development through collaboration between the private sector and the university community.

19. Utilization of the country programming process as a frame of reference by other United Nations agencies has been limited or non-existent partly for the reasons stated above. Another consideration is that some of the United Nations organizations have mandates that relate to specific global concerns in line with their Constitutions and the resolutions adopted by their governing bodies. They are faced with the issue of reconciling the tension between nationally expressed needs and globally urged priorities. A country programme, prepared by the Government and UNDP, that reflects national priorities and supports national programmes will not necessarily stress the same priorities. In this context, the reviews were found to be uneven in their involvement of United Nations agencies in all aspects of the process. The Administrator will ensure the United Nations agency involvement, including participation of the Joint Consultative Group on Policy (JCGP), will be fully pursued.

B. The major obstacles hindering the use of programmes as frameworks for the identification of projects not included in the country programme

20. The original country programme is used as the framework by the Government and UNDP to determine whether to include, or reject, proposals for UNDP technical co-operation that emerge during the life of the programme. Some problems can arise when the objectives of a country programme are stated in very broad terms.

21. This might help to make it very clear that the country programme is in line with Government priorities. However, the disadvantage of such an approach, particularly where no systematic overall assessment of technical co-operation requirements exists, is that the objectives are so broad that they can be used to justify almost any development activity. Such objectives do not provide programme managers from the Government or from UNDP with the means to discriminate between essential and desirable projects. This problem can be mitigated, even eliminated altogether, if there has been a good technical co-operation needs assessment and a technical co-operation framework paper has emerged.

22. The reviews covered by this overview have been mostly concerned with implementation and delivery issues. Two thirds covered at length the issue of whether new projects were identified as planned, provided a judgement on the quantitative implementation of the programme, and covered the issue of whether the allocation of funds reflect the original objectives and goals of the programme. In contrast, less than half provide a judgement on the qualitative implementation of the country programme. Against this background, the Administrator has urged all offices preparing programmes for the next cycle to be sensitive to these issues, and to use the Government's plans to identify technical co-operation needs and the planned response of UNDP to them as fully as possible at the time of programme formulation and to maintain them continuously under review, particularly on the occasion of any periodic programme reviews.

C. The linkages between country programmes and public investment programmes, policy framework papers, major macro-economic management processes, and NaTCAPs

23. The degree of articulation of country programmes with public investment programmes and policy framework papers has not been well addressed by the reviews. A more relevant comparison may be with the structural adjustment programmes of the countries concerned. In all the cases under review, the programmes are well articulated with government endeavours to restructure their economies, frequently focusing on strengthening economic management and/or on the social aspects and consequences of structural adjustment.

24. The NaTCAP exercises have had a number of beneficial effects on the programmes under review. However, this set of reviews seems to indicate that the NaTCAP process is not sufficiently widespread to have had the kind of effect that would emerge at a programme review. The current Zambia programme drew heavily on the NaTCAP exercise that took place in 1986. The Government is preparing its own

guidelines for the use of technical co-operation as a follow-up. Meanwhile, the country programme has evolved in step with Government efforts to restructure its own economy.

25. In Malawi, a NaTCAP exercise is under way, and it is too early to determine what, if any, are its effects on, and linkages with, the country programme. In Mozambique and Burundi, too, the NaTCAPs are not sufficiently advanced to have significant effect on the mid-term review, although the initial NaTCAP report in Mozambique concluded that human resource development, and the institution-building related to it, were the most useful contributions that technical co-operation could make at this juncture. This is, in fact, the focus of a significant portion of the ongoing country programme.

26. In Zambia, the programme is focused on economic management and the promotion of exports; the mid-term review disclosed that the country programme progress has been fully in line with the policy conclusions of the informal meeting between the Government and principal donors held in July 1989. In Madagascar, the review confirmed that one of the three main themes of the country programme should continue to be support for the social adjustment programmes which are required in response to the ongoing structural adjustment programme led by the World Bank. As already indicated, support for economic management is a feature of a number of programmes in Asia, including those of China, India and Indonesia. In Algeria, which is undertaking significant structural reforms, one of the conclusions of the review was that, while the country programme was relevant to the country's evolving economic policies and needs, greater attention should be paid, inter alia, to employment creation, socio-economic reforms and the promotion of international trade.

27. As technical co-operation needs assessments, based on the established macro-economic framework and resulting public investment programmes, become more widespread and more comprehensive, the linkages which already exist between the country programmes and larger macro-economic resource allocations and management processes will become more apparent. The caveat here is to recall, as noted in paragraph 18 above, that it is not appropriate, given different resource levels and national priorities, for all country programmes to be closely articulated with these larger phenomena. What should be expected, and can be attested to, is that country programmes are consistent with and in many instances support the thrust of macro-economic policy and management.

D. Lessons learned in the identification of programmes and projects

28. By and large, the reviews conclude that country programmes do reflect the economic and social priorities of the countries concerned, and are responsive to changes in these priorities. Greater specificity of programme objectives would in some cases provide better guidance to field-level managers.

29. The reviews point out that, while long-run objectives of Governments remain fairly constant, their short-run needs change significantly, both in response to evolving economic and social circumstances as well as to the internal dynamics of

programmes. The potential that UNDP programmes have to respond flexibly to these emerging needs is an important and constructive element in relationship of UNDP with Governments.

E. The validity and workability of the programme approach

30. The reviews establish that the country programme technique is both valid and workable. The programming of technical assistance is beginning to approach the rigour used in programming capital assistance. Indeed, as the responsibility of Governments for the identification and the implementation of their technical co-operation programmes is steadily increasing, greater structuring of the contents of country programmes by UNDP seems not only desirable but essential.

31. The term "programme approach" should not be interpreted to mean that there is a fixed and immutable five-year plan for technical co-operation to which there should be strict adherence. It does mean that at the outset, a single or several overall objectives have to be defined, towards which a programme is supposed to contribute; the resources have then to be managed flexibly and intelligently in pursuit of those objectives. All the while, periodic review mechanisms continue to be used to verify overall progress, and to make minor adjustments which always keep in view the objectives established at the outset.

32. Some measures that would make it work better include:

(a) Greater stress on nationally managed programming and greater use of national institutions in programme development;

(b) Increased use of overall assessments of past technical co-operation and identification of future requirements;

(c) Reorganizing ongoing projects into sectoral or thematic clusters and enunciating the linkages between them;

(d) Development by UNDP, for use by its field offices, of a strengthened system for monitoring progress towards achievement of the programme goals. Such a system would focus more specifically on programme level and sectoral achievements.

F. Countries for which evaluations are planned

33. None of the reviews has indicated the need for a country programme to undergo an independent evaluation. However, a number of countries have indicated their desire for further programme reviews. All programmes will be undergoing an assessment carried out by the Government and UNDP as part of the preparation for the fifth programming cycle.

III. FINDINGS AND GENERAL LESSONS EMERGING FROM THE REVIEWS

34. The most important findings are the following:

(a) A programme review can promote but not entirely restore programmatic dimensions to a project-driven country programme;

(b) Governments and UNDP have made effective use of the mid-term review mechanism to assess the progress and relevance of the programme; to resolve implementation problems; and to deploy any newly available resources. The involvement of the United Nations agencies in this process must be more systematic;

(c) Government participation in the reviews, in terms of numbers and of the seniority of the participants, has been high. This is a testament to the importance attached to mid-term reviews and a major factor in determining their effectiveness;

(d) New processes such as the mid-term review do impose a burden on field offices. They have responded diligently, and the indication is that the benefits have been worthwhile and commensurate with the efforts invested;

(e) The central co-ordinating authorities of Governments have made effective use of mid-term reviews as a means of strengthening their own position vis-à-vis sectoral ministries and departments;

(f) The mid-term reviews have provided UNDP with an excellent opportunity to introduce into its ongoing dialogue with Governments issues of global concern such as environment and sustainable development, women in development and the role of the private sector;

(g) The reviews have been used effectively by technical ministries and departments to extend, modify or supplement projects so as to bring them to a satisfactory and productive outcome.

Annex

SUMMARY FINANCIAL DATA ON COMMITMENTS AGAINST AND EXPENDITURES ON IPFS

Most of the programmes considered had already committed a large part of their IPFs by the time of the review. Excluding the mid-term reviews for Chile, India, Peru, Saudi Arabia and the intercountry programme for the Asia and Pacific region, which were submitted to the Council at its thirty-sixth session, 80 per cent of the programmes reviewed during the period 1 January to 30 June 1989 had committed over 60 per cent of their IPFs and 66 per cent of them had committed 75 per cent or more of their IPFs (see table 1).

Table 1. IPF commitment at mid-term review

Percentage of commitment at mid-term review	RBA		RBAP		RBASE		RBLAC	
	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent
75 per cent and above	6	60	8	80	4	66	2	50
Between 50 per cent-74.9 per cent	2	20	2	20	1	17	1	25
Below 50 per cent	2	20	0		1	17	1	25
Total	10	100	10	100	6	100	4	100

The high level of commitment by the time mid-term reviews were conducted means that there was very little scope for redirecting the unprogrammed resources based on the recommendations of the mid-term review. Table 2 shows actual commitments.

Table 2. IPF commitments at mid-term review, by region a/

	Date of mid-term review 1	IPF b/ (Millions of United States dollars) 2	Budget approved at mid-term review c/ 3	3 as percentage of 2
I. REGIONAL BUREAU FOR AFRICA				
Burundi	1/89	32.4	14.7	45.3
Cameroon	5/89	16.4	16.8	102.4
Chad	6/89	40.8	36.7	89.9
Gabon	5/89	2.8	1.2	43.4
Madagascar	4/89	39.1	30.6	78.3
Malawi	6/89	44.1	33.1	75.1
Mauritius	3/89	4.2	3.4	82.2
Mozambique	1/89	63.5	37.6	59.2
Rwanda	4/89	35.5	24.7	68.8
Zambia	6/89	19.9	17.2	86.4
II. REGIONAL BUREAU FOR ARAB STATES AND EUROPEAN PROGRAMMES				
Algeria	3/89	11.6	8.8	75.9
Bulgaria	5/89	3.5	3.2	91.4
European region	3/89	10.8	8.2	75.9
Hungary	5/89	2.0	1.2	60.0
Malta	4/89	1.5	1.7	113.3
Democratic Yemen	3/89	14.8	9.1	34.7
III. REGIONAL BUREAU FOR ASIA AND THE PACIFIC				
Bangladesh	4/89	131.0	106.7	81.5
Bhutan	6/89	24.4	26.7	109.4
Cook Islands	5/89	1.2	1.0	83.3
Democratic People's Republic of Korea	4/89	16.4	14.5	88.4
Mongolia	5/89	7.4	6.7	90.5
Republic of Korea	2/89	10.5	13.4	127.6
Niue	6/89	0.8	0.7	87.5
Tokelau	5/89	1.2	0.9	75.0
Tonga	6/89	1.6	1.1	68.8
Western Samoa	5/89	4.3	3.2	74.4

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	Date of mid-term review 1	IPF b/ (Millions of United States dollars) 2	Budget approved at mid-term review c/ 3	3 as percentage of 2
IV. REGIONAL BUREAU FOR LATIN AMERICA AND THE CARIBBEAN				
Argentina	4/89	11.6	6.8	58.6
Barbados	2/89	1.5	0.7	46.7
Brazil	5/89	17.4	15.0	86.2
Saint Lucia	2/89	1.3	1.0	76.9

a/ This table does not reflect data for the mid-term reports for Chile, India, Peru, Saudi Arabia, and the intercountry programme for the Asia and the Pacific region, which were submitted to the Council at its thirty-sixth session.

b/ Source: Fourth programming cycle: Mid-term resource situation, report of the Administrator (DP/1989/26).

c/ Source: Monthly approval reports.